

USAID/SRI LANKA
ANNUAL REPORT FY 2002

March 2002

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Related document information can be obtained from:

USAID Development Experience Clearinghouse

1611 N. Kent Street, Suite 200

Arlington, VA 22209-2111

Telephone: 703/351-4006 Ext. 106

Fax: 703/351-4039

Email: docorder@dec.cdie.org

Internet: <http://www.dec.org>

Released on or after July 1, 2002

Annual Report FY 2001: Part III Performance Narrative

A. Challenges

In 2001, Sri Lanka weathered a year of increased fighting in its 18 year war in the north and east, including an attack on its international airport by the Liberation Tigers of Tamil Eelam (LTTE); political instability that saw a suspension of Parliament for two months; and two Parliamentary elections within 14 months that were two of the most violent in the country's history. Exports declined by over eight percent; the budget deficit rose to nearly 10% of GDP; foreign exchange reserves dropped from \$2.6 billion to \$2.1 billion, and GNP growth plunged from an annual average growth rate of 5.5% in the 1990s to minus 0.6%. Adding to the country's economic woes, as a result of the previous government's failure to meet budget expenditure terms, the International Monetary Fund (IMF) postponed further draw down of its Standby Agreement Facility after Sri Lanka had withdrawn only \$131 million of the agreement's \$253 million total.

Despite all the negative events over the past year, the December 2001 change in government has injected an optimism into the populace that a peaceful solution to the war can be found and that the economy will recover from what is hoped will be a one year dip. In one of its first moves, the new government requested Norway to restart its efforts to arrange and facilitate talks that will lead to a peace agreement with the LTTE. This was complemented by the LTTE's unilateral declaration of a one month cease-fire "to give peace a chance" to which the government reciprocated.

The new government includes a critical mass of highly respected private sector leaders in key secretarial positions. Many of these individuals have been active in USAID's competitiveness initiative. They understand the need and have the will to create an environment that facilitates private sector led growth and employment generation.

Compared to its neighbors, social indicators for Sri Lanka remain high, although they do not include data from the conflict zone. Sri Lanka ranks 81st of 162 countries on the UNDP's Human Development Index. Per capita income is \$826. Life expectancy for men is 69.3 years and women 75.0 years. Infant mortality is 17 per 1,000 live births, and the literacy rate for females is 88.6% and 94.3% for males. While respectable, these indicators are at risk of eroding if the social, political and economic constraints are not effectively addressed.

U.S. national interests in Sri Lanka include supporting democratic institutions and processes, including curbing terrorism and finding a peaceful solution to the war. In addition, it is in the U.S. national interest to further promote free markets, transparency, rule of law and respect for worker's rights to integrate fully Sri Lanka into the global economy and provide greater opportunities for U.S. goods, services, and capital.

FY2001 USAID Program: During FY2001, USAID implemented activities under four objectives:

- Strategic Objective 1: Trade and Investment
Improved Framework for Trade & Investment
- Strategic Objective 2: Democracy and Governance
Citizen's Rights Better Protected in Law and Practice
- Strategic Objective 3: Humanitarian Assistance
Enhanced Economic and Social Opportunities for Disadvantaged Groups
- Strategic Objective 4: Economic Growth
Increased Sri Lankan Competitiveness in the Global Marketplace

B. Program Performance

383-001: Improved Framework for Trade and Investment

This strategic objective contributed to Pillar II “Economic Growth, Agriculture and Trade”, USAID Objectives 1 “Critical, private markets expanded and strengthened” and 3 “Access to economic opportunity for the rural and urban poor expanded and made more equitable.” Most SO1 activities and targets were completed by FY 2000, with the few remaining activities being completed during FY 2001. This is the last year for reporting this SO’s performance, and a close out report will be submitted separately. The accomplishments completed in FY 2001 for this SO include significant expansion of access to credit for rural and urban poor, passage of the computer software portion of the Intellectual Property Rights (IPR) bill, and establishment of procedures for enforcement of the IPR law.

The targeted beneficiaries of SO1 were the poor, the private sector, financial market institutions and the Government of Sri Lanka (GSL). Benefits included (1) improving access to economic opportunity, and (2) establishment of financial market and trade/investment systems, policies, and practices necessary to attract the levels of investment required for sustained growth and competitiveness.

Achievements

Improved access to credit for the poor. Achievements in this area are a significant result under USAID’s Pillar II, Objective 3 “Access to economic opportunity for the rural and urban poor expanded and made more equitable.” Starting in FY 1999 and ending in FY 2001, USAID provided assistance to increase access for the poor to quality banking services through activities to improve “primary” (or district) credit union societies. The project worked with 86 primary societies to improve institutional capacity and with 171 to improve financial reporting and solvency. It provided technical training to 5,231 managers, members of primary society governing bodies, and officers of the Cooperative Development Department, far exceeding the project target of 680 people. The project also instituted sound funds management practices, developed and introduced a standardized chart of accounts, and improved the institutions’ accounting systems. Achievements include:

- Improved solvency and protection. The solvency ratio (realizable assets divided by liabilities) of these societies was 91.77% (the target is at least 100%) in FY 1999. By the end of FY 2001, project efforts had restored solvency and reached a ratio of 109.46%. Customers of and investors in these credit unions can now be more confident that their deposits were safe.
- Improved asset quality. The delinquency ratio for loans declined from 48.5% at the start of the project in FY1999 to 12.3% in FY 2001, an encouraging trend although the ratio was still above the target of 5% or less. Aggressive collection techniques brought into use by the project resulted in collection of approximately US\$280,000 of bad debts.
- Increased capital adequacy. The capital adequacy ratio (net institutional capital divided by total assets) measures the risk level of these credit unions. The ratio is used throughout the banking industry to measure the ability of an institution to absorb possible losses, such as bad loans or fluctuations in investment markets, and provides a measure of protection to investors and creditors in the event of liquidation. The higher the positive ratio, the safer the institution. Primary societies participating in

the project realized a dramatic improvement in capital adequacy. The adjusted capital adequacy ratio for the group at the start of the project was **negative** 9.78%, but had increased to positive 4.53% in FY 2001. This is an encouraging trend, but is still below the target of positive 10% or higher.

- Growth in savings deposits. Community members gained confidence as these societies improved their management, accounting systems, and solvency, resulting in a net increase in deposits of more than US\$550,000 by the end of FY 2001.
- Growth in loans disbursed. Increased efficiencies in operations enabled these societies to nearly double loans disbursed to approximately US\$3,800,000 by the end of FY 2001.

Intellectual Property Rights (IPR). Parliament passed the portion of the IPR bill relative to computer software in FY 2001, making Sri Lanka one of the few developing countries to meet (albeit partly) the World Trade Organization (WTO) obligations on IPR. The first case to be tried under this new law is in litigation.

Passage of the **comprehensive** IPR bill was delayed due to the elections and political instability in the country, but it is expected to pass during FY 2002. Passage of the full IPR bill will represent the culmination of USAID assistance in previous years to draft proposals for IPR protection and developing awareness of the importance of IPR legislation while facilitating consensus among the relevant players. Implementation of the full IPR law in Sri Lanka will represent a major change that will help put the private sector on a better development path, as Sri Lankans will have access to new products and technologies that can facilitate operations and improve lives.

Proper enforcement and implementation of any IPR law is critical. USAID provided assistance in FY 2000 to create a group of well-trained professionals to establish, litigate and enforce intellectual property and technology policies; and enforce the law more efficiently. The first class graduated from the USAID-assisted IPR diploma program in FY 2001, providing nineteen (19) professionals in IPR including ten (10) women. Thirty-eight (38) students are currently enrolled in the program, including eleven (11) women.

To increase the speed and quality of operations, USAID provided computer equipment to the National Intellectual Property Office (NIPO) that will be used to register and track patents.

383-002: Citizens' Rights Better Protected in Law and Practice

SO2 exceeded targets during FY 2001, realizing more rapid, effective responses to human rights complaints, increasing the involvement of civil society in the electoral process, and improving public awareness of election irregularities. This SO contributes to Pillar IV "Democracy, Conflict and Humanitarian Assistance" as well as the Mission Performance Plan's goal of strengthened democratic institutions and greater consideration of human rights in Sri Lanka. The beneficiaries of this objective are members of the Sri Lankan public, especially minorities and disadvantaged groups.

USAID Objective 1 "Rule of law and respect for human rights of women as well as men strengthened": The Human Rights Commission (HRC) in Sri Lanka handles a variety cases, but considers the processing of complaints related to the conflict and against the police and military as its most serious responsibility. These complaints can involve issues such as illegal arrest and, unlawful detention or torture. An immediate, effective response is vital.

USAID assistance to the Human Rights Commission (HRC) in FY2001 continued to support efforts to prioritize and reduce the response time for these most serious complaints. In part, due to USAID support, the HRC now responds immediately to these complaints with a visit to the

place of detention. In locations where armed conflict is under way or distances involved preclude an immediate response, the HRC will telephone the local police to respond. During FY 2001, USAID provided computer equipment to facilitate rapid response and the efficient transfer of case documents, particularly within the conflict zone.

The HRC concluded 80% of the 1,713 complaints received against the armed forces during FY 2001 within the year. It also maintained a high success rate for cases involving disappearances, locating 70% of the missing persons reported.

In addition, USAID provided assistance to reduce a considerable case backlog that had developed over the years at the HRC through the formation of a "back-log clearance unit." This unit began a review of complaints and has reduced the number from approximately 11,000 to 6,000. It has also implemented a process to increase the speed of case resolution by handling complaint cases in groups. After establishing an example of one or two cases in a particular category, the HRC arranges mediation sessions for similar cases within the same category. As of September 2001, all cases predating March 1999 had been disposed.

USAID Objective 2 "Credible and competitive political processes encouraged" and USAID Objective 3 "The development of politically active civil society promoted": Sri Lanka has a history of violent elections with widespread electoral irregularities. In the past, these irregularities were not systematically or accurately reported in the press and NGOs traditionally had little involvement.

When an election was called in FY 2001, USAID assistance supported proper documentation and reporting irregularities, while encouraging public involvement and awareness. USAID provided funding for two NGOs to monitor and report violations of electoral laws and election related violence during the campaign period, on election day itself and post-election. These NGOs, the Center for Monitoring Election Violence (CMEV), and the People's Alliance for Free and Fair Elections (PAFFREL), sent monitors to most polling stations and held daily press briefings to report specific and widespread instances of vote rigging, tampering with ballot boxes, improper use of public vehicles and intimidation. These daily reports of election related fraud and violence provided an impartial lens through which the public could judge the behavior of the political elite and their parties. Under public pressure, the Elections Commissioner annulled results at seventeen (17) polling stations.

The continuing conflict in the northern and eastern parts of Sri Lanka has resulted in a number of internally displaced citizens. These people are often denied the right to vote since they are not able to return to the districts where they were originally registered. CMEV and PAFFREL monitored the ability of these internally displaced people to vote in their new districts. The reports provided by this survey have been used to file a public interest case. The case involves Muslim internally displaced persons from the Jaffna peninsula. It is anticipated that the results will allow for larger numbers of internally displaced persons to be registered to vote in FY 2002.

Election officials have traditionally been civil servants who can be intimidated by political parties to allow electoral irregularities. To address the problem of intimidation, USAID provided assistance to the Institute for Human Rights (IHR) to work with the Public Employees' Union to set up a legal aid hotline to defend election officials facing threats. Twenty-three (23) of the officials who reported problems are now being represented by the IHR.

Finally, USAID promoted the development of a politically active civil society through assisting the formation of a consortium of three legal aid providers. These three main providers previously operated in isolation with the goal of simply handling larger volumes of individual cases. In many instances, their clients had similar complaints relating to development issues such as enforcement of broad-based human rights, property rights or employment issues. Because these organizations viewed these cases as individual complaints, development issues were not addressed, it took longer to dispose of cases, and complaints were less likely to be successful.

USAID enlisted The Asia Foundation to improve the effectiveness and efficiency of these organizations, and to promote the use of developmental legal aid. The Asia Foundation arranged a study tour to expose the legal aid providers to developmental legal aid in practice. Tour participants formed a consortium of legal aid providers and held the first national workshop on developmental legal aid in Sri Lanka.

This consortium has provided a forum for all legal aid providers, especially civil society, to enter into regular dialogue with government counterparts. It is also encouraging civil society to work with communities to use legal aid services to advocate for the protection of their rights. The consortium has monthly meetings and seminars regarding legal developments, and has established a resource center so that legal aid organizations have access to a legal library and personal computers. Consortium efforts have reduced duplication of effort between legal aid providers, increased coordination and case referrals according to specialty, and are now encouraging sustainability through programs to implement payment according to means.

383-003: Enhanced Economic and Social Opportunities for Disadvantaged Groups

SO3 exceeded targets and started vital new activities in the conflict zone during FY 2001. This SO is the main contributor to Pillar IV "Democracy, Conflict and Humanitarian Assistance", USAID Objectives 5 "Conflict" and 6 "Humanitarian assistance following natural or other disasters", as well as the Mission Performance Plan humanitarian goal. The conflict in the north and east has disabled thousands of people and displaced a large population, including children. Another serious threat to the well being of children, particularly boys, on the western and southwestern coasts of Sri Lanka is sexual exploitation and abuse. The purpose of this objective is to help these groups recover from adverse circumstances and provide an opportunity for returning to a normal life.

Beneficiaries of these programs include children and families recovering from adverse circumstances resulting from the conflict; displaced children and families; orphans and youth exploited by the sex trade; civilians who have been the victims of debilitating accidents and injuries including landmines, incidents associated with armed conflict, trap guns, train accidents, and neuromuscular and chronically disabling diseases; and victims of natural disasters.

Achievements

Children and youth: A cumulative total of 25,383 children participated in community-based psychological and social activities by the end of FY 2001, exceeding the target of 24,557. Activities were expanded to villages inside the conflict zone for the first time. These Tamil and Muslim villages are among communities most seriously impacted by the conflict, as the LTTE regularly recruits child soldiers and subjects the children to military indoctrination in these areas. It is especially important, therefore, as the peace process progresses, to expose these children to a more normal childhood and prepare them for peace. USAID assistance focused on strengthening family and community capacity to identify and address the physical, social, educational and emotional needs of children in the war affected areas. Other assistance included the provision of vocational training to children to provide skills for future occupations.

The psychological and social needs of disadvantaged children were addressed using funding from the Displaced Children and Orphans' Fund (DCOF). In FY 2001, USAID continued support for local NGOs which provided opportunities for children affected by the conflict to participate in organized educational and play activities. The goal is to help them deal constructively with the trauma they have experienced, and remain in school.

Although these programs aim to build bridges between children of different ethnic groups, the success to date in this regard has been limited due to the reluctance of parents to allow their children to participate in inter-ethnic play activities. The inclusion of Tamil and Muslim villages for the first time in FY 2001 represents the second phase of this program, and increases the possibility for inter-ethnic activities.

Reproductive and health programs, as well as training of volunteer mental health workers, continued to help address the psychological and social needs of these children. Trained “befrienders” assisted NGOs in identifying children requiring more attention. Nutrition programs were continued by USAID-funded NGOs in areas controlled by the LTTE where there is serious malnutrition and anemia.

USAID also continued to provide assistance for skills training programs for vulnerable youth and children abused by sex tourists to empower them to seek alternative employment and socially acceptable income-generating opportunities.

Prosthetics: USAID activities exceeded planned results, providing prosthetics to every civilian patient who requested assistance through the Friends in Need Society (FINS). During FY 2001, 1,913 civilian amputees and other physically disabled persons were fitted with prosthetic devices, exceeding the planned target of 1,600. The planned cumulative total of 7,043 was exceeded as 7,356 civilians had been fitted with prosthetic devices by the end of FY 2001.

FINS is the only large scale provider of prosthetic devices for civilians in Sri Lanka. It has operations in all four regions of Sri Lanka, and provides transportation for all clients requesting assistance or repair of prosthetic devices.

An important challenge the program faces is persuading the implementing NGO to adopt improved prosthetic technology in this low resource context. USAID continues to encourage FINS to produce and provide clients a lighter, more comfortable polypropylene limb similar to a model used by the International Committee of the Red Cross (ICRC). The Mission conducted and participated in a study tour which took FINS employees and board members to Cambodia to foster a better understanding of the potential and scope for high quality prosthetics in low resource settings. A thorough operations and program assessment of FINS was also completed and used to improve the efficiency and organizational capacity of the group.

Disaster assistance: The U.S. Ambassador issued two disaster declarations during FY 2001, and USAID responded. The achievements in this area represent results contributing to Pillar IV, USAID Objective 6 “Humanitarian Assistance following natural or other disasters.”

When a severe cyclone struck the northeastern part of the country December 26, 2000, USAID quickly provided a grant to the ICRC to fund materials for shelters and basic necessities. Approximately 12,000 victims received material for temporary shelter and household kits (including items such as bedding, soap, eating utensils, and clothing) to replace lost belongings.

A long drought affected the southeastern part of Sri Lanka in FY 2001, severely damaging water harvesting mechanisms and depleting water supplies. USAID responded to the disaster declaration by donating water transportation equipment, tanks and containers through the Save the Children Fund that distributed clean water to approximately 35,000 beneficiaries in 20 communities. In light of recent rains, the equipment is being used to provide clean water storage for 10 area schools. It can be brought back into use for transportation if another drought occurs. Since drought is a chronic problem in the area, USAID participated with other donor agencies to develop a protocol for responding quickly to future droughts and disasters, including design of an early warning system.

383-004: Increased Sri Lankan Competitiveness in the Global Marketplace

SO4 activities this year realized a significant result contributing to Pillar I “Global Development Alliance”, and contributed to Pillar II “Economic Growth, Agriculture and Trade”, USAID Objective 1 “Critical, private markets expanded and strengthened”.

The high level of unemployment among Sri Lanka’s educated youth continues to threaten efforts to promote greater political stability and peace in the country. Increased employment among this group requires accelerated growth of value added industries allowing Sri Lanka to shift away from its dependence on low cost advantages such as cheap labor. The purpose of this objective is to increase Sri Lanka’s competitiveness in global markets. Activities under this SO which commenced in FY1999 are carried out primarily by a contracting consortium led by Nathan Associates Inc. (Nathan), through the USAID project, “The Competitiveness Initiative” (TCI). After a comprehensive evaluation of the Initiative, at the request of USAID, Nathan changed management personnel and restructured TCI to increase efficiency and modify the focus of activities during FY 2001.

The project works primarily with “industry clusters”, which are alliances formed between USAID and individuals and corporations from the private sector, NGOs, and trade organizations. The clusters develop and implement strategies that recommend increasing the value of their products by investing in innovation and technology to upgrade quality and productivity, as well as seeking needed policy or regulatory reforms. Beneficiaries include targeted industry clusters and support industries, which are characterized by the vertical and horizontal linkages between firms, suppliers, service providers, and specialized institutions, their members, and both men and women in the labor force.

Achievements

Alliances: Achievements in this area are a significant result under USAID’s Pillar I “Global Development Alliance”, by realizing major qualitative changes that will help put the sector on a better development path. Formation of the alliances represented by the industry clusters changed the way that participants in these industries behave. Companies throughout the industry chain, from small holders to large producers, to processors, brokers and exporters no longer work in isolation but meet face to face to solve disagreements and discuss, organize and focus their efforts to develop solutions to barriers to higher value exports. Attributes of the alliances include:

(1) “Joint development of objectives and activities”. After the industry clusters were formed, members participated in a number of lively, long discussions and drafting sessions to develop objectives and activities for the group and the industry overall. These discussions continue as the clusters meet to carry out their plans or change them to address new concerns.

(2) “Brought new partners to the development challenge or significantly expands an alliance with existing partners”. Prior to formation of these alliances, many of the alliance members had never participated in a development activity. In some industries, different segments of the industry chain had worked in complete isolation and only felt enmity towards other industry participants. For example, while the rubber industry had several active trade organizations, each organization represented only one segment of the industry. One organization included only growers, while another included only processors. Each group complained about the unfair behavior of the other, and no organization existed to bring the various components together for face to face discussions to solve problems. Now, all segments of the rubber industry participate in the cluster meetings. Working together, the cluster participants are making plans for a single effort to develop new products and market more products to overseas markets. The ceramics cluster participants have put aside former enmity to unite and arrange a discounted price for gas

necessary for production to decrease costs for the entire industry. In the coir industry, millers have a forum for the first time to help them work out differences with buyers. The cluster's current discussion regarding implementation of quality based pricing would give millers, who generally represent the lower income segment of the industry, the chance to increase income by upgrading their products. By putting aside differences, clusters are realizing real benefits. Even the tea cluster has benefited from cluster formation: participants now feel free to explore constructively contentious issues such as importation of orthodox teas for blending and re-export.

(3) "Used new instruments or innovative approaches to existing instruments to get the work done". The open forum and open membership for all segments offered by the clusters is a true change and an innovative approach for these groups.

(4) "Involved significant resource mobilization". During FY 2001 private organizations participating in these alliances have provided more than \$650,000 in contributions versus the USAID contribution of approximately \$625,000 for alliance activities. These figures do not include agreements signed for longer term projects.

(5) The alliances were started after October 1, 1999. Most participants joined during FY 2001 (member lists and start dates are attached to Table 1).

The following achievements realized by these alliances also contributed to Pillar II "Economic Growth, Agriculture and Trade", USAID Objective 1 "Critical Private Markets expanded and strengthened".

Tourism. The tourism cluster has commenced efforts to encourage ecotourism and adventure tourism, which represent new, higher value sectors in the Sri Lankan tourist industry. The cluster has committed to raise an estimated Rs. 200 million to invest in an ecolodge project currently under design by the alliance.

Information and Communication Technology (ICT). To expand the ICT sector in Sri Lanka and encourage new product development, this cluster has formed plans for instituting "Centers of Excellence" and several "Virtual Business Incubators" to provide support for research, new product and micro-enterprise development. The alliance is also working on proposals to the Government of Sri Lanka to remove entry barriers to the telecommunications market by making licenses uniform for international carriers, and insuring a professional, neutral and independent regulatory body for the industry. The alliance has set a goal to achieve US\$1.0 billion in exports within five years and to create 100,000 well paid jobs for Sri Lankans.

Ceramics. Ceramics alliance members worked together to bring into the alliance Shell Gas, the sole supplier of LP gas to the ceramics industry in Sri Lanka. As some of Shell's best customers, the members persuaded Shell to offer a 5% price rebate for the bulk/industrial segment, reducing costs and strengthening the ability for Sri Lankan ceramics to compete in world markets. In addition, alliance members invested in an energy efficiency study to determine ways to decrease energy use while increasing production.

Tea. This alliance has allocated funds to develop a Sri Lankan manufactured color separator that could reduce Sri Lanka's import bill by US\$5 million to US\$6 million annually. The separator identifies and removes stems and other off-color materials from processed tea, increasing its value.

Jewelry. An alliance has been formed and a Memorandum of Understanding signed to design and market a jewelry collection, with a contribution by the private sector participants of US\$560,000. The alliance has also contributed US\$70,000 and is working to find financing of approximately US\$1.35 million towards equipping and affiliating a laboratory with the American Gem Trade Association. Use of this laboratory to assure quality of Sri Lankan gems could increase their value on the international market by 50%. A mining committee has also been

formed to investigate more sustainable, profitable practices for the sector. Mining has traditionally been performed by cooperatives of 8 to 10 smallholders.

Spices. Participants in this alliance are working to develop collective procurement of spices from very small producers to improve their quality and so earn a higher price by selling to quality conscious buyers. The alliance is also working with the public sector to remove barriers to importation of spice seed and planting material of high yielding varieties, as well importation of spices for processing and re-export.

Coir. For the first time, exporters and millers are sitting at the same table and addressing industry concerns. The alliance is working on establishing a “coir center” to coordinate research and market intelligence, develop upgraded processing technology to improve energy efficiency and productivity, and improve environmental implications of the production process. Finally, the alliance has started work to expand the market for coir by identifying new product applications through research and development projects.

Targets. While SO4 realized a number of key achievements, it did not meet all of its targets for FY 2001. The results normally tracked include:

- *“Clusters formed with Coordinators hired.”* Target met. Three more clusters were formed according to plan for the spice, coir and ceramics industries. Members of the industry clusters started to pay the salaries of the cluster coordinators, as planned in the Mission’s indicator description. However, it became apparent that this made it difficult for the coordinators to act in the best interests of all parties. Therefore, after discussions between USAID, the implementing contractor, and members of the clusters, it was decided that the coordinators should become employees of and paid by the USAID contractor.
- *“Clusters benchmarked.”* Target not met. Drafts of the benchmarks were completed, but problems and concerns remain regarding incomplete data, the quality of the data provided, and appropriateness of the models used for comparison. This effort has largely been abandoned, although some additional targeted benchmarking may be done if it is determined it would be useful for certain clusters.
- *“Cluster strategies developed”.* Target not met. Drafts of the strategies for the clusters have been prepared, but final drafts are still not complete. The ICT sector has completed a strategy, four are in the final stages of editing, and three are still in early draft form. USAID expects to receive final versions during FY 2002.

The Mission has worked with the contractor to resolve management problems in the contractor’s project office to facilitate more rapid completion of deliverables and anticipates a significant improvement during FY 2002.

Other Programs

The following regional programs are active in Sri Lanka and contribute to Pillar II “Economic Growth, Agriculture and Trade”, USAID Objective 5 “World’s environment protected.”

The US-Asian Environmental Partnership (US-AEP): US-AEP sponsored activities in Sri Lanka to improve environmental laws and policy; urban and industrial practices; and to transfer US technology, services and experience to promote environmental management. All Sri Lankans benefit from these activities through a cleaner, healthier environment. FY 2001 achievements include:

- **Environmental policy:** announcement in FY 2001 of air quality standards for automobile air emissions to be implemented in 2003; privatization of the solid waste collection process in the City of Colombo, which has increased efficiency and investment potential; official

classification of motor oil as hazardous; an Air Quality Management Plan developed by the City of Colombo with strengthened monitoring efforts for automobile emission; and working with the World Bank to establish a focal point for air quality activities.

- Urban: identification of a sustainable solution for Kandy Lake, a polluted but popular municipal lake, by a US-AEP-assisted group of city officials and water quality experts; professionalization of air quality data collection through USAEP training; and training of approximately ten air quality and automobile emission-related professionals on different approaches to minimize mobile air pollution in Colombo in collaboration with the Asian Development Bank (ADB).
- Technology transfer:
- participation of approximately 15 Sri Lankans in the Waste Environment Federation meeting (WEFTEC2000) in Anaheim, CA, and six Sri Lankans in the Air and Waste Management Association convention (AWMA2001) in Orlando, FL. Participants established distributor agreements with several US companies to transfer technologies;
- assistance to several private companies to identify medical management and composting technologies and to start work with the Government of Sri Lanka to establish projects to manage medical and municipal solid waste; and
- transfer of knowledge and modeling tools through a partnership between the Ceylon Electricity Board and the Bonneville Power Administration to improve transmission planning.

The South Asian Regional Initiative in Energy (SARI/Energy): SARI/Energy provides technical assistance and encourages training and utility partnerships funded by USAID/ANE. FY 2001 first year efforts included:

- engaging the energy sector in Sri Lanka in the discussion of regional energy cooperation with the objective of creating an enabling environment for regional energy development and trade;
- promoting establishment of an Energy Center at the University of Moratuwa to conduct policy related studies in energy;
- training approximately 130 Sri Lankans on multiple aspects of energy sector development including regulation, energy efficiency, distribution and grid codes, and tariffs;
- working with the US Energy Association to conduct a number of utility partnership meetings to increase capacity in the areas of regulation, transmission and utility management and to improve interaction between utilities in the region and US utilities;
- initiating the provision of technical assistance related to fuel quality, the potential interconnection between India and Sri Lanka, regulatory and legal aspects of rural energy services, and the impact of poor power quality on industry.

Regional Urban Development Office (RUDO). The RUDO program's objective in Sri Lanka is to support private sector participation in the development of urban environmental infrastructure for water supply, sanitation and waste management. The FY 2001 program had two main elements:

- Community-based infrastructure financing. The program provided financing to communities for improving environmental infrastructure, including water supply, sanitary facilities and/or waste management, through a credit program. The resulting improved access to drinking water and sanitary toilet facilities benefited 3,438 families or approximately 13,720 people.
- Urban environmental infrastructure financing through Urban Local Authorities (ULAs) or through the private sector. RUDO assisted development and formulation of urban environmental infrastructure projects for private financing by ULAs. Specifically, RUDO provided assistance to privatize solid waste collection by the Kandy Municipal Council (KMC) for the town center; to develop a "Corporate Plan" for KMC to use in pursuit of financing for a variety of urban environmental infrastructure projects; and for a series of workshops to inform ULAs of the availability of a credit facility for financing infrastructure projects.

List of Alliances for Table 1

Pillar I: Global Development Initiative

(Alliances implemented in FY 2001 unless otherwise noted)

<u>Industry represented</u>	<u>Alliance participant</u>
Ceramics	Royal Ceramics Lanka Ceramics Shell Gas Ceramic Research and Development Center
Coir	Hayleys Exports Ltd. Volanka Exports Ltd. Jafferjee Brothers Ltd. Millers Association Sri Lanka Coir and Allied Products Manufacturers
Association	
ICT	Ceylon Chamber of Commerce National Chamber of Commerce IBM & Just-In-Time Holdings Next Ventures Sri Lanka Business Development Center Jayantha Fernando, lawyer Concept Nursery Sri Lanka Telecom Lanka Bell Suntel Dialog GSM Celltel Software Exporters Association (FY 2000)
Jewelry	Sea Street Jewelers Association Lalitha Jewelers Swanamahal Vogue Jewelers Devi Jewelers Colombo Jewelry Stores Menika Pattakanu Nithyakalyani Raja Jewelers National Gem and Jewelry ? Gem & Jewelry Research & Training Institute GeoResources EDB Lapidary Center Sri Lanka National Design Council
Spices	Saboor Chatoor & Co. Ltd.

Sarada de Silva, Spices and Allied Products Traders
 Association
 Ranjit Ganemulla
 Anton Dehipitiarachchi, Paints and General Industries
 (Exports) Ltd.
 Lanka Organics (Pvt.) Ltd.
 Titilate Interational
 Islandwide Marketing Ltd.
 Renuka Group of Companies
 Link Natural Proudcts (Pvt.) Ltd.
 British Lanka Trading (Pvt.) Ltd.
 Meezan & Co. (Pvt.) Ltd.
 Gamwasama Estates Ltd.
 EOAS International (Pvt.) Ltd.
 Maturata Plantations Ltd.
 Forbes & Walker Ltd.
 P.W. Rodrigo Estates Ltd.
 MA's Tropical Food Products (Pvt.) Ltd.
 Ceylon Chamber of Commerce
 Cinnamon Association

Tourism

Sri Lankan Airlines
 Lanka Sportsreizen
 Adventurers Lanka
 Belihuloya River Resorts
 Ella Adventure Park
 Wild Holidays
 Jetwing Eco Holidays
 Ecotourism Society of Sri Lanka
 Adventure Trouism Operators Association of Sri Lanka
 Aitken Spence Hotels

Tea (formed FY 2000)

Gordon Frazer & Co. Ltd.
 Tea Tang Ltd.
 James Finlay & Co. Ltd.
 Industrial Facilitation Forum
 Ferntea Ltd.
 Kelani Valley Plantations, Ltd.
 Asia Siyaka Commodities (Pvt.) Ltd.
 Euro-Scan Exports (Pvt.) Ltd.
 Tea Smallholder Factories Ltd.
 Balangoda & Madulsima Plantations
 Ceylon Tea Promotion Bureau
 VanRees Ceylon Ltd.

Planned new alliances: FY 2002

Ceramics	Lanka Walltiles Noritake Ceramic World Ceramic Development Company
Coir	Green Agro Lanka (Pvt.) Ltd. Lanktrad International (Pvt.) Ltd. Coirtex Ltd. Coconut Growers Association
ICT	Federation of Information Technology Association of Computer Training Organizations Sri Lanka Computer Vendors Association Arthur C. Clarke Institution for Modern Technologies
Jewelry	Sri Lanka Gem Traders Association Federation of Gemstone Wholesalers and Jewelers The Lapidarists Association The Gemmologists Association Heat Treaters Association of Sri Lanka, Ratnapura Sri Lanka Diamond Manufacturers Association
Tea unidentified.	Two to three participants in the industry, as yet

Table 1: Annual Report Selected Performance Measures

December 3, 2001

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America and non-governmental organizations in support of shared objectives						
1	Did your operating unit achieve a significant result working in alliance with the public sector or NGOs?	Yes x	No	N/A	DA	
2	a. How many alliances did you implement in 2001? (list partners)	78 (list attached)			DA	
	b. How many alliances do you plan to implement in FY 2002?	20 (list attached)			DA	
3	What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?	1.07:1 (see exhibit attached)			DA	
Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.						
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met x	Not Met	DA	
USAID Objective 1: Critical, private markets expanded and strengthened						
5	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	DA	
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged						
6	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable						
7	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A	DA	

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded					
8 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
9 a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual) b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total		
USAID Objective 5: World's environment protected					
10 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	USAEP	
11 a. Hectares under Approved Management Plans (2001 actual) b. Hectares under Approved Management Plans (2002 target)					
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.					
12 If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met	Not Met		
USAID Objective 1: Reducing the number of unintended pregnancies					
13 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
USAID Objective 2: Reducing infant and child mortality					
14 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
15 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries					
16 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance					
17 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
Pillar IV: Democracy, Conflict and Humanitarian Assistance					
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed x	Met	Not Met	ESF	
USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened					
19 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	ESF	
USAID Objective 2: Credible and competitive political processes encouraged					
20 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	ESF	
USAID Objective 3: The development of politically active civil society promoted					
21 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	ESF	
USAID Objective 4: More transparent and accountable government institutions encouraged					
22 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
USAID Objective 5: Conflict						
23	Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	DCOF/ WVF	
24	Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	DCOF/ WVF	
25	Number of refugees and internally displaced persons assisted by USAID	Male	Female	25,000	DCOF/ WVF	
USAID Objective 6: Humanitarian assistance following natural or other disasters						
26	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	DA	
27	Number of beneficiaries	approx. 47,000				

Table 2: Selected Performance Measures for Other Reporting Purposes

The information in this table will be used to provide data for standard USAID reporting requirements

Indicator (all data should pertain to FY or CY 01)		OU Response		Fund Account	Data Quality Factors
Child Survival Report					
Global Health Objective 1: Reducing the number of unintended pregnancies					
1	Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)				
Global Health Objective 2: Reducing infant and child mortality					
2	Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
3	Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	
4	Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
5	Were there any confirmed cases of wild-strain polio transmission in your country?				
Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
6	Percentage of births attended by medically-trained personnel (DHS/RHS)				
Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance					
7	a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual) b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)				
8	Proportion of districts implementing the DOTS Tuberculosis strategy				

HIV/AIDS Report

Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

9	a. Total condom sales (2001 actual) b. Total condom sales (2002 target)				
10	a. Number of individuals treated in STI programs (2001 actual) b. Number of individuals treated in STI programs (2002 target)	Male	Female	Total	
11	Is your operating unit supporting an MTCT program?				
12	a. Number of individuals reached by community and home based care programs (2001 actual) b. Number of individuals reached by community and home based care programs (2002 target)	Male	Female	Total	
13	a. Number of orphans and vulnerable children reached (2001 actual) b. Number of orphans and vulnerable children reached (2002 target)	Male	Female	Total	
14	a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual) b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)	Male	Female	Total	

Victims of Torture Report						
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture						
15	Did you provide support to torture survivors this year, even as part of a larger effort?					
16	Number of beneficiaries (adults age 15 and over)	Male	Female	Total		
17	Number of beneficiaries (children under age 15)	Male	Female	Total		

Global Climate Change			
USAID Objective 5: World's environment protected			
18	Global Climate Change: See GCC Appendix		

USAID/Sri Lanka does not have any environmental issues.

SO2: Citizens rights better protected in law and practice: The SO activities have no effect on the natural or physical environment.

SO3: Enhanced economic and social opportunities of displaced groups: The SO activities have no effect on the natural or physical environment.

SO4 Increased Sri Lankan competitiveness in the global marketplace: The SO activities have no effect on the natural or physical environment.